

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies,
Procedures and Incentives for Distributed
Generation and Distributed Energy Resources.

Rulemaking 04-03-017
(Filed March 16, 2004)

**ASSIGNED COMMISSIONER'S RULING
SOLICITING COMMENTS FOR PROPOSED SOLAR ROOFS INITIATIVE**

This ruling solicits comments regarding funding for Governor Schwarzenegger's initiative to promote a million solar installations in California by 2017, which he refers to as the "Solar Roofs Initiative" (SRI), previously referred to as the Solar Homes or Solar Systems Initiative. The Commission seeks the parties' ideas for supporting the Governor's initiative by tailoring the Commission's existing Self-Generation Incentives Program (SGIP) or developing new funding sources.

Background

On October 20, 2004, Governor Schwarzenegger announced his policy to promote the installation of solar technologies in California homes and commercial buildings as an environmentally sound way of meeting California's future energy needs. Specifically, the Governor proposed the following: the installation of one million solar roofs by 2017 on new and existing homes and businesses; the inclusion of solar thermal systems, to offset the increasing demand for natural gas; the inclusion of advanced metering in solar applications; and the creation of a funding source which can provide rebates over ten years through a declining incentive schedule.

This Commission and the California Energy Commission (CEC) implement programs designed to encourage solar applications by providing financial

incentives. The Commission program (SGIP) funds solar projects with capacity between 30KW and 1.5 MW (and other distributed generation technologies). The CEC program (the Emerging Renewables Program), funds smaller solar projects, generally those with capacity under 30 kW. These state agencies may use these existing programs to help fulfill the Governor's policy, which is consistent with existing Commission policy and the state's Energy Action Plan.

This ruling solicits ideas and comment on ways to use the existing SGIP program to promote the Governor's policy objectives. In this context, we intend to address program design, funding levels and sources, and an implementation schedule. Attachment A provides background and relevant questions for each area of inquiry.

Parties should serve their comments on the service lists for this proceeding, Rulemaking (R.) 04-03-017, and the Renewable Portfolio Standard proceeding, R.04-04-026, by December 10, 2004.

IT IS RULED that parties' proposals and comments on ways to support Governor Schwarzenegger's Solar Roofs Initiative, as discussed in Attachment A of this ruling, should be filed no later than December 15, 2004. Filings should be served electronically where electronic addresses have been provided on the service list. Hard copies of comments should be sent to the Assigned Commissioner's office, the Assigned Administrative Law Judges in Rulemaking (R.) 04-03-017 and R.04-04-026, and the Energy Division.

Dated November 29, 2004, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

ATTACHMENT A

ISSUES AND QUESTIONS FOR SOLAR SYSTEMS INITIATIVE

A. Funding Levels for Solar Systems

The Commission SGIP program's budget currently funds solar projects with capacity between 30 kw and 1.5 MW. Rebates for solar technologies are currently \$4.50, a level that is under consideration by the Commission. The annual budget for this program is \$125 million. Some of these funds are allocated to projects using distributed generation technologies other than solar. Assembly Bill (AB) 1685 provides the Commission authority to implement this program and does not limit the Commission's discretions to increase this annual budget, which is funded through the distribution rates of the state's large energy utilities. AB 1685 requires the Commission to implement the SGIP through the end of 2007. After that time, the Commission could continue funding the program through utility distribution rates or pursue other funding sources.

The Commission seeks responses to the following questions with regard to the SGIP funding level:

1. In order to provide incentives for the Governor's goal of one million residential and commercial systems, or the equivalent to 3,000 MW, should the Commission increase the funding? If so, to what levels?
2. Should the Governor's Solar Roofs Initiative (SRI), including residential and solar thermal applications, continue to be funded through the SGIP or should the state adopt a separate funding source for SRI? If it is funded through the SGIP, how should the Governor's program be funded after 2007?

B. Qualifying Solar Technologies to Accommodate Customer Needs

California will probably need multiple solar technologies to achieve the magnitude of new capacity envisioned in the Governor's proposal. Customer requirements differ and technologies are evolving in ways that may suit some customer groups more than others. For example, residential and small commercial customers will likely be drawn to small photovoltaic panels or to solar thermal water heating systems. Large agricultural and industrial customers may have the demand and locale to warrant large-scale systems. Saving natural gas may also reduce electricity customers' costs and increase the availability of natural gas for electricity production. Solar thermal water heating systems may promote these benefits and fulfill the Governor's objectives in the SRI.

In order to broaden the existing solar program successfully, program design may need to be changed, for example, to promote specific technologies, induce the installation of systems that reduce peak energy demand or target funding according to customer types and projects that suit specific customers or customer groups.

The Commission seeks responses to the following related questions:

1. Should the Commission's program provide for minimum funding levels for targeted customer groups? Please comment on whether the Commission should allocate at least 30% of solar incentive funds to commercial projects.
2. What level of incentives should the Commission provide for solar thermal projects? (by this do you mean solar water heating?) How should those incentives be designed?
3. Should the Commission design incentives to promote other solar technologies or applications, for example, those that reduce peak demand? Please propose specific incentives for each proposed technology or application.

4. Should the Commission provide incentives for mid-range Concentrated Solar Power (CSP) applications not currently eligible for RPS funding? If so, what type of funding mechanism should be used and what should the level of incentives be?
5. Should program rules include minimum energy efficiency standards on buildings for which a project proponent seeks solar incentives? How?

C. Time-Variant Rate Structure And Metering

A rate design that recognizes that costs vary during different time periods, whether daily or seasonal, would induce installation of solar systems that reduce demand during costly peak periods. Expansion of solar installations may affect the costs and benefits of net metering. In addition, 'site-metering' would provide information about how much funded projects are reducing peak energy requirements. Meters may also provide site-specific information that would enhance safety, facilitate system operation, and allow for better monitoring, evaluation, and trouble-shooting.

We seek responses to the following related questions:

1. How, if at all, should rates be designed to induce installations of solar projects that reduce peak demand?
2. Should advanced metering be incorporated as a pre-condition for financial incentives for any or all solar projects, applications and technologies? How? What would be the estimated costs and benefits of those meters?

D. Incentive Funding Continuity

In order to attract investments in solar technologies, investors must be persuaded that California is committed to long-term solar support. Continued project funding over the life of the program, combined with a declining rebate schedule, could promote market stability and investor confidence.

The Commission seeks responses to the following related questions:

1. How should the Commission design a declining rebate schedule for the specified funding period? [which is what? Have we specified a funding period?]
2. The CEC is sponsoring a pilot project on performance based incentives, based on energy output of generating units. Should the Commission integrate performance-based standards into the overall solar incentive package? If so how should those incentives be designed?

E. Future Program Administration

Currently, this Commission and the CEC sponsor programs that provide financial incentives to different sizes of solar installations. The agencies work cooperatively to ensure program guidelines, applications, and other implementation details are as consistent as possible. Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Regional Energy Office administer the Commission's SGIP. The CEC administers the ERP.

Two agencies currently oversee programs that provide virtually the same incentives for the same types of projects largely because of the evolution of those programs in legislation. However, they need not be administered separately.

The Commission seeks the parties' comments on the following related questions:

1. Should a single agency administer all programs that provide incentives to solar installations? If so, which agency should have that responsibility?
2. Should the agency that oversees the solar incentives program or programs be responsible for all administration (as the CEC now does for the ERP)?

3. Alternatively, should these programs be administered by the utilities or third parties (as the CPUC now does for SGIP)?
4. What other administrative functions, if any, should be changed to facilitate the Governor's objectives for the SRI?

(END OF ATTACHMENT A)

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Assigned Commissioner's Ruling Soliciting Comments for Proposed Solar Roofs Initiative on all parties of record in this proceeding or their attorneys of record.

Dated November 29, 2004, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda A. Pulmano

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.